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GENERAL MORTGAGE CORPORATION OF CANADA

Head Office: 68 Yonge Street, Toronto 1, Canada

Annual Report

Nineteen Sixty-six





J. L. WHITNEY. q.c.
PRESIDENT

Report to the SHAREHOLDERS

*

I wish to present, on behalf of the Directors, the Report of the Corporation for the year 1966.

Reflecting generally on the economic atmosphere in which all first mortgage loan companies had to live and breathe, it was a year with unprecedented demand for first mortgage loans at gradually increasing interest rates. This demand was not nearly satisfied, and a backlog has accumulated to a point which is now critical and must be satisfied soon rather than be further delayed. From this point of view, the 1967 situation appears patently clear and bright.

The "availability" of funds for 1966, that is, the loosening of "tight money", notwithstanding early-in-the-year predictions, did not materialize. Money became available only to the older traditional financial institutions, and borrowing rates climbed to their highest toward the year end.

There is surely little doubt about the effect of international events on the flow and availability of capital. Our preoccupation, however, with the local problem of acceptance and credit companies lending under an inappropriate policy and on unsearched title paper, and on moveables which may be rapidly consumed or disappear and for which the loss of security is not adequately reserved, has caused a backlash indirectly affecting the operation of all financial companies. I am not commenting on the older well established acceptance and credit companies. They have conducted their affairs in a conservative manner, making security provisions well beyond what they are required by statute law to do.

There is no logical justification, on the basis of security, for the comparison of our Corporation, which lends on immoveable real estate, with companies of that sort.

All these factors have worked against growth in our portfolio, just as it has in some of the larger first mortgage companies.

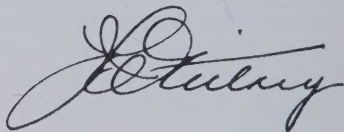
Assets at the year end were	\$8,275,000
Interest income was	\$ 646,000
Gross Revenue was	\$ 659,000

Net profit before taxes in 1965 was \$168,389. In 1966 it was \$122,478. The reduction was caused mostly by reason of the fact that not writing new business, the Corporation did not earn investigation and service fees; secondly by higher costs on borrowed money; and thirdly, by the unavailability of revolving short term money. As a result, per share earnings have decreased to 74¢ per share on the fully paid capital stock and 15¢ on the 20% paid up capital stock.

The reserve position of the Corporation has again been improved, and the reserve fund, unappropriated profits and investment reserve now amount to \$293,277, an increase of 23% over the preceding year.

We face the Centennial Year with confidence. The consolidation effected in 1966 places us in a position to go forward in 1967.

May I express, for the Board, our gratitude to all those who assisted the operation in 1966. To our officers, employees, bankers and investors I say "thank you", and may I personally thank our vigilant and diligent Board of Directors.

A handwritten signature in cursive script, likely belonging to the President of the Corporation, positioned above the title "President."

President.

Toronto, January 16, 1967.

REPORT OF THE DIRECTORS OF

General Mortgage Corporation of Canada

FOR THE YEAR 1966



STATEMENT OF UNAPPROPRIATED PROFITS

Year ended December 31, 1966
(with comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
Interest earned on mortgages, less interest and administrative expenses	\$ 115,916	\$ 134,354
Investigation and service fees earned	8,130	40,140
Investment income	4,723	
	<u>128,769</u>	<u>174,484</u>
Deduct:		
Amortization of bond discounts and expenses	4,255	3,800
Depreciation on office equipment	2,036	2,295
Taxes on income	38,000	62,000
	<u>44,291</u>	<u>68,095</u>
NET INCOME FOR YEAR	84,478	106,389
Unappropriated profits at beginning of year	90,139	58,029
	<u>174,617</u>	<u>164,418</u>
Deduct:		
Dividends on capital stock	28,340	45,279
Transferred to investment reserve	38,000	29,000
	<u>66,340</u>	<u>74,279</u>
Unappropriated profits at end of year	<u><u>\$ 108,277</u></u>	<u><u>\$ 90,139</u></u>
Net income per fully paid share74	.94
Net income per 20% paid share15	.19

General Mortgage

(Formerly General Mortgage)

(Incorporated by Special Act of the Legislature of the State of Maryland)

BALANCE SHEET

December 31, 1965

(with comparative figures for 1964)

ASSETS

	1966	1965
GENERAL FUND		
Cash	\$ 70,704	\$ 30,852
Demand loan, secured by pledge of bonds	50,000	
Investment in preferred stocks (market value \$214,285)	227,133	
Mortgages receivable	1,034,626	1,351,870
Office equipment, at cost less accumulated depreciation	6,041	7,783
Unamortized bond discounts and expenses	24,327	28,327
Special refundable tax	1,600	
	<u>1,414,431</u>	<u>1,418,832</u>
MORTGAGE FUND A		
Cash	3,211	200,352
Mortgages receivable, issued under the National Housing Act	2,472,759	2,551,459
	<u>2,475,970</u>	<u>2,751,811</u>
MORTGAGE FUND B		
Cash	118,109	46,576
Mortgages receivable (note 1)	4,266,747	4,407,201
	<u>4,384,856</u>	<u>4,453,777</u>
	<u>\$8,275,257</u>	<u>\$8,624,420</u>

The accompanying notes are an integral part of this statement.

We hereby certify that to the best of our knowledge and belief the foregoing balance sheet is correct and shows truly and clearly the financial condition of the corporation's affairs.

J. L. WHITNEY, Q.C., President }
L. HENDERSON, Vice-President and Secretary } Directors

Corporation of Canada

(Service Corporation of Canada)

(Incorporated under the laws of Canada)

SHEET

31, 1966

(figures for 1965)

LIABILITIES

GENERAL FUND

		1966	1965
Capital stock (note 2):			
Authorized:			
1,000,000 common shares, par value			
\$10.00 per share			
Issued:			
64,158 shares, fully paid			
(63,958 shares in 1965)	\$ 641,580	\$ 639,580	
246,002 shares, 20% paid			
(246,202 shares in 1965)	492,004	492,404	
	1,133,584	1,131,984	
Reserve fund	100,000	100,000	
Unappropriated profits	108,277	90,139	
	1,341,861	1,322,123	
Dividend payable		11,320	
Income taxes payable	217	24,407	
Accounts payable and accrued liabilities	8,972	13,101	
Unamortized discounts on mortgages	14,381	14,881	
Investment reserve	49,000	33,000	
	1,414,431	1,418,832	

MORTGAGE FUND A

Bank loans, secured by Series A bonds, payable on demand	2,465,000	2,475,000
Series A bonds maturing within one year	5,000	265,000
Accrued interest	5,970	11,811
	2,475,970	2,751,811

MORTGAGE FUND B

Bank loans, secured by Series B bonds, payable on demand	2,816,000	2,955,000
Series B bonds (note 3)	1,498,500	1,444,300
Accrued interest and expenses	30,326	35,187
Unamortized discounts on mortgages	4,030	5,290
Investment reserve	36,000	14,000
	4,384,856	4,453,777
	\$8,275,257	\$8,624,420

AUDITORS' REPORT

To the Shareholders of
General Mortgage Corporation of Canada:

We have examined the balance sheet of General Mortgage Corporation of Canada (formerly General Mortgage Service Corporation of Canada) as at December 31, 1966 and the statement of unappropriated profits for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the corporation, the accompanying balance sheet and statement of unappropriated profits are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the corporation as at December 31, 1966 and the results of its operations for the year ended on that date.

Toronto, Canada,
January 16, 1967.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

General Mortgage Corporation of Canada

NOTES TO FINANCIAL STATEMENT

Year Ended December 31, 1966

1. Mortgages receivable, Mortgage Fund B:

Fund B mortgages include mortgages of \$767,270 at current interest rates, receivable from an associated company in which General Mortgage Corporation of Canada holds one-third of outstanding shares. These shares were acquired at nominal cost.

2. Capital stock:

During the current year, 200 20% paid shares were fully paid up, for an additional consideration of \$1,600.

Share warrants outstanding at December 31, 1966, and expiring on March 15, 1969, entitle the holders to purchase 66,160 fully paid shares of the corporation as presently constituted at a price of \$12.50 per share.

3. Series B bonds, Mortgage Fund B:

Bonds mature as follows:

1967	\$ 21,500
1968	21,600
1969	67,300
1970	61,200
1971	27,300
1972	206,100
1973	1,090,500
1977	3,000
	<hr/>
	\$1,498,500



The following services are available through

General Mortgage Corporation of Canada

who will . . .

- lend money on first mortgage loans
- purchase first mortgage loans
- provide interim financing for builders' projects
- manage mortgage investments at minimum management fees
- provide information on deferred capital financing to anyone with financing problems

General Mortgage issues to investors short, intermediate and long term Guaranteed Investment Bonds bearing attractive interest rates.

Officers J. L. Whitney, q.c.
President

L. Henderson
Vice-President & Secretary

C. J. Whitney, q.c., B.C.L.
General Counsel

Directors Frank M. Covert, O.B.E., D.F.C., Q.C.
Halifax, Nova Scotia

L. Henderson
Cooksville, Ontario

Grant Horsey, B.Comm.
Toronto, Ontario

John H. Norris
Montreal, Quebec

C. J. Whitney, q.c., B.C.L.
Waterloo, Ontario

J. L. Whitney, q.c.
Waterloo, Ontario

George M. Wilson
Toronto, Ontario

Bankers Canadian Imperial Bank of Commerce
Bank of Montreal
The Royal Bank of Canada
The Toronto-Dominion Bank

